

Message Text

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ORIGIN ARA-14

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LA/CAR/AID:W.WHEELER (IN DRAFT)
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TO AMEMBASSY OTTAWA
INFO AMEMBASSY KINGSTON
AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY CARACAS
AMEMBASSY SANTO DOMINGO
AMEMBASSY PORT AU PRINCE
AMEMBASSY PORT OF SPAIN

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E.O. 11652: GDS

TAGS: ECON, XL

SUBJECT: CONSULTATIONS ON CARIBBEAN

1. ON SEPTEMBER 21 CARIBBEAN TASK FORCE INTERIM COORDINATOR BUSHNELL, AID CARIBBEAN OFFICE DIRECTOR WHEELER AND US EMBASSY OFFICIALS HELD INFORMAL TALKS WITH CANADIAN OFFICIALS INTERESTED IN CARIBBEAN AFFAIRS FROM PRIME MINISTER'S OFFICE, CIDA, EXTERNAL AFFAIRS, FINANCE, ITC, EDC, IMMIGRATION.

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2. COMMON THEMES IN CONSULTATIONS WERE:
A. CANADA VERY MUCH WELCOMES RENEWED AND INTENSIFIED US POLITICAL AND ECONOMIC INTEREST IN COMMONWEALTH CARIBBEAN, AN AREA WITH UNUSUALLY CLOSE CANADIAN TIES OF LONG STANDING AND THE AREA OF GREATEST CANADIAN AID FLOWS ON PER CAPITA BASIS.

B. CANADA HAS LONG ENCOURAGED ADDITIONAL CONSULTATION - AMONG DONORS AND IS GENERALLY POSITIVE ON FORMATION SOME TYPE CONSULTATIVE GROUP;

C. EXPERIENCE HAS TAUGHT CANADIANS THAT GETTING COUNTRIES IN COMMONWEALTH CARIBBEAN TO COOPERATE WITH EACH OTHER IS EXTREMELY DIFFICULT BECAUSE OF MANY RIVALRIES IN AREA. NATURE AND STRUCTURE OF NEW INITIATIVES WOULD HAVE TO REFLECT VIEWS AND PRIORITIES OF CARIBBEAN COUNTRIES.

D. CANADIAN ANALYSIS, INCLUDING RECENT MAJOR YEAR-LONG STUDY ON PROBLEMS OF AREA, REACHED MANY OF SAME CONCLUSIONS AS US ANALYSIS, INCLUDING SERIOUS NEGLECT AGRICULTURE, MACRO-ECONOMIC POLICIES SUCH AS OVERVALUED EXCHANGE RATES, AND OVER-PROTECTED LOW VALUE-ADDED-INDUSTRY, AND UNEMPLOYMENT.

E. GENERAL AGREEMENT THAT MORE COMPREHENSIVE APPROACH TO ECONOMIC PROBLEMS OF AREA NEEDED AND THAT IFIS SHOULD BE IN FOREFRONT SUCH EFFORT.

3. ADDITIONAL COMMENTS IN MEETING PRIMARILY WITH CIDA INCLUDE:

A. CANADA HAS NO AID PROGRAM IN DOMINICAN REPUBLIC AND HAITI PROGRAM HANDLED BY DIFFERENT OFFICE THAN COMMONWEALTH CARIBBEAN; CANADIANS HAD TENDED TO THINK IN TERMS CONSULTANT-CONFIDENTIAL

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TIVE GROUP FOR COMMONWEALTH CARIBBEAN OR OF JUST LEEWARD AND WINDWARD ISLANDS, BUT WOULD CONSIDER IMPLICATIONS OF LARGER GROUPING.

B. DIVERGENT VIEWS WERE EXPRESSED ON USE CDB FOR NEW INITIATIVES WITH THOSE DIRECTLY RESPONSIBLE FOR CANADIAN PROGRAM WITH CDB TENDING TO FAVOR FUNNELLING ANY NEW INITIATIVES THROUGH CDB WHILE BILATERAL OFFICIALS TENDED TO FEEL CDB SLOW AND INFRASTRUCTURE-ORIENTED AND ENCOURAGEMENT DIRECTLY PRODUCTIVE ENTERPRISES SHOULD BE DONE IN SOME OTHER WAY. IMPACT OF ANY INITIATIVES ON EXISTING INSTITUTIONS IN AREA CONSIDERED IMPORTANT.

C. GENERALLY FAVORED STRONG IBRD ROLE IN CONSULTATIVE GROUP BECAUSE OF ITS EXPERTISE, WITH DEFINITE CDB INVOLVEMENT.

D. OPPOSED TO MAJOR NEW GENERAL PURPOSE FUND FOR CARIBBEAN AS SUGGESTED BY TRINIDAD AND VENEZUELA WITH CLEAR PREFERENCE FOR CONTINUING USING BULK OF CANADIAN ASSISTANCE FOR CLEARLY IDENTIFIABLE PROJECTS ON COUNTRY-BY-COUNTRY BASIS.

E. FINANCE REPRESENTATIVE INDICATED STRONG PREFERENCE FOR LEAVING STABILIZATION ASSISTANCE TO IMF AND CONCURRED WITH ASSESSMENT THAT GIVEN NEW SUPPLEMENTAL IMF FACILITY AND IBRD PROGRAM LOANS THEY COULD HANDLE THESE PROBLEMS.

4. PRIME MINISTER'S FOREIGN POLICY ADVISOR HEAD STRESSED CLOSE AND TRUSTED CANADIAN ROLE IN COMMONWEALTH CARIBBEAN AND DELIGHT OF CANADIANS THAT US FINALLY WAS RESPONDING TO THEIR PRESSURE FOR DOING MORE IN AREA. SAID CANADA WOULD BE MOST COOPERATIVE. STRESSED GREAT DIFFICULTIES GETTING COUNTRIES IN REGION TO COOPERATE BUT ALSO SAID THAT SUCH COOPERATION ESSENTIAL. AGREED STRATEGY THAT BILATERAL

DONORS GETTING IFIS IN LEAD PRESSING FOR POLICY AND COOPER-
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ATION IMPROVEMENT. SAID POTENTIAL INSTABILITY IN CARIBBEAN IS MAJOR DOMESTIC PROBLEM IN CANADA, PROBABLY MORE DIFFICULT THAN IN US. THUS HE WELCOMED US IDEAS FOR WAYS TO IMPROVE STABILITY THROUGH CONSULTATIVE GROUP, GREATER IFI INVOLVEMENT, AND FRAMEWORK TO IMPROVE INTRA-REGIONAL LINKS AND COOPERATION.

5. FOLLOWING ADDITIONAL POINTS FROM INTER-AGENCY MEETING IN EXTERNAL AFFAIRS.

A. CANADA CAUTIOUS ABOUT REQUIREMENT FOR INCREASE ITS AID LEVEL. BUT REVEALED REQUEST FOR INCREASE FROM \$150 MILLION TO \$200 MILLION IN FIVE YEAR PLANNING LEVEL FOR COMMONWEALTH CARIBBEAN UNDER CONSIDERATION.

B. CANADA NOTED ECONOMIC DIFFERENCES BETWEEN COMMONWEALTH CARIBBEAN MDCS AND LDCS, AND ECONOMIC, POLITICAL, AND CULTURAL DIFFERENCES WITH DOMINICAN REPUBLIC AND HAITI; SUGGESTED THAT ALTERNATIVE MIGHT BE THREE CONSULTATIVE GROUPS: ONE FOR WINDWARD AND LEEWARDS WHERE THERE ALREADY DONOR CONSULTATIONS; ONE FOR COMMONWEALTH CARIBBEAN AND ONE FOR HAITI AND DR. BUSHNELL POINTED OUT THAT SUCH STRUCTURE WOULD NOT REACH CRITICAL MASS THAT WOULD INTEREST SUCH REMOTE DONORS AS JAPAN AND FRG OR JUSTIFY INTENSIVE IBRD INTEREST. BUT SAID THAT BROADER CONSULTATIVE GROUP MIGHT WORK IN PART THROUGH SUBMEETINGS FOCUSING ON SPECIFIC SUBAREAS.

C. CANADA WARNED THAT RIVALRIES IN AREA WOULD GREATLY COMPLICATE ANY CONSULTATIVE GROUP PROCESS; SAID CANADIAN VIEWS WOULD DEPEND IN PART ON VIEWS OF COUNTRIES IN AREA; WORRIED THAT IT WOULD NOT BE POSSIBLE AVOID COUNTRIES IN AREA SEEING CONSULTATIVE GROUP AS WAY FORCING THEM COMPETE WITH EACH OTHER FOR ASSISTANCE.

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D. NEW DIRECTOR GENERAL FOR LATIN AMERICA AND CARIBBEAN
GIGNAC INDICATED THAT THIS WAS FIRST MEETING HE HAD CHAIR-
ED IN HIS NEW ROLE BRINGING TOGETHER IN EXTERNAL AFFAIRS
FOR FIRST TIME RESPONSIBILITY FOR COMMONWEALTH CARIBBEAN
AND OTHER LATIN COUNTRIES. VANCE

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